

**SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**SOUTHEASTERN UTAH ASSOCIATION  
ASSOCIATION OF LOCAL GOVERNMENTS  
BASIC FINANCIAL STATEMENTS  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors

Southeastern Utah Association of Local Governments

Price, Utah 84501

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities, of Southeastern Utah Association of Local Governments as of and for the year ended June 30, 2005, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures, in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

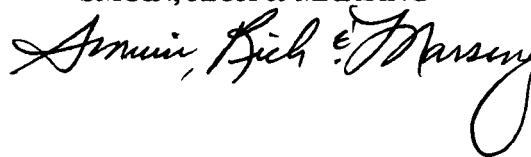
In our opinion, the basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, of the Southeastern Utah Association of Local Governments as of June 30, 2005, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated February 12, 2006 on our consideration of Southeastern Utah Association of Local Governments internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Southeastern Utah Association of Local Governments, taken as a whole. The combining and individual fund and schedules listed in the foregoing table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements of the Association. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. These financial statements and schedules are also the responsibility of the management of the Association. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Armin Rich E. Marsing". The signature is written in dark ink and is positioned below the printed name "SMUIN, RICH & MARSING".

Price, Utah

February 12, 2006

**Southeastern Utah Association of Local Governments  
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2005**

The following is a discussion and analysis by the management of the Southeastern Utah Association of Local Governments' (SEUALG) financial performance for the fiscal year ending June 30, 2005. This discussion is presented for readers to review in conjunction with the financial statements and other information contained in this report.

**SEUALG Background**

The Southeastern Utah Association of Local Governments is a voluntary agency formed in 1970 under the Utah Interlocal Cooperation Act of 1965. The SEULAG was formed to provide regional planning and coordination of state and federal programs and grants across the southeastern Utah district, which consists of Carbon, Emery, Grand, and San Juan Counties. The SEUALG, while considered a government entity, has no regulatory authority, passes no laws, and does not set or collect taxes.

The governing board of the SEUALG consists of one county commissioner from each member county and one municipal elected official from each member county. County-level councils of governments decide which elected officials from each respective county will serve on the SEUALG board. SEUALG Board Officers are elected for a two-year term.

While the SEUALG must adhere to the same budgeting requirements as other public entities in Utah, the actual amount of funds the SEULAG receives is determined solely by the SEUALG's granting agencies. All the grants administered by the SEUALG are "categorical" and funds from each grant can be spent only on eligible activities as determined by the granting agency.

**Financial Highlights**

- The total assets of the SEUALG exceeded its liabilities as of June 30, 2005 by \$909,960. Of this amount, \$194,596 is unrestricted net assets that may be used to meet the government's ongoing obligations. In fact, a significant percentage of this fund balance provides the majority of the SEUALG operating capital.
- The SEUALG invests funds not needed for immediate operations, and not restricted by federal cash management regulations, in separate accounts with the Utah State Public Treasurer's Investment Fund or in savings accounts at local banks. Earnings from these investment and savings accounts for the fiscal period ending June 30, 2005 were:

BTAC	\$ 2,693
Revolving Loan Funds	8,044
Miscellaneous SEUALG Programs	<u>3,581</u>
Total	<u>\$ 14,318</u>

All other funds are held in the SEUALG general checking account.

- Capital asset (net of accumulated depreciation of the SEUALG were \$395,209 at June 30, 2005, which included buildings and equipment.
- Overall revenues increased by \$379,982 and overall expenditures increased \$489,862 for the period ending June 30, 2005. These increases arose because of the extension of a one-time grant for the COPS program, which provided grants to sheriff office located in five county's in the southeastern and central part of the state,

### SEUALG Revenue Summary

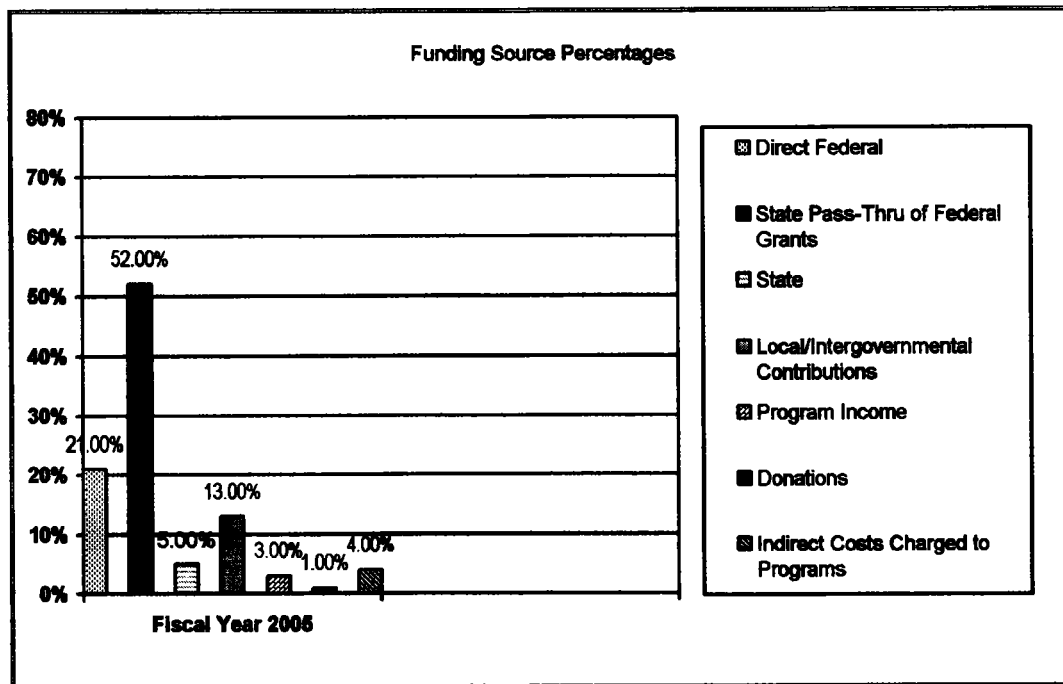


Figure 1

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction the SEUALG's basic financial statements. The SEUALG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The governmental and fiduciary fund activities of the SEUALG for the fiscal year ending June 30, 2005 included:

Area Agency on Aging Programs

In-home Services

Medicaid Waiver Program

Pass-thru funding for local senior citizen programs

Weatherization Programs

DOE and LIHEAP Programs

Group Workcamps Project (Navajo Reservation specific)

UP&L and Questar special programs

Community Services Programs

USDAA Child Nutrition

Emergency Child Nutrition Program

Operation of District Food Banks

Emergency Assistance Programs

Utility Assistance Programs (H.E.A.T)

Regular utility assistance

Emergency/Crisis funds

Economic Development Programs

Economic Development Planning

Business Development and Technical Assistance

Procurement Contracting Technical Assistance

Community Development Block Grant and Housing Rehabilitation Programs

Technical Assistance for community needs assessments and grant application

Technical Assistance for grant management

Minor and major housing rehabilitation

Fiduciary Funds

Revolving Loan Fund Programs

Business Incubation (Southeastern Utah Business and Technical Assistance Center)

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the SEUALG's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the SEUALG, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the SEUALG is improving or deteriorating.

The *statement of activities* presents revenue and expense information showing how the SEUALG's net assets changed during the fiscal year ending June 30, 2005. All activities and changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. In this way, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave, comp-time, and sick leave).



The government-wide financial statements of the SEUALG are reported as governmental activities. Governmental activities include central administration, management/operation of the Area Agency on Aging, community and social services, community, housing and economic development, interlocal planning and coordination, and weatherization. State and federal grants are the finance basis for these activities. Contributions from SEUALG member governments, donations, project income, and fees for services provide required matching funds and gap funding.

### **Fund Financial Statements**

A *fund* is a group of related accounts that is used to track and maintain resources that have been segregated for specific activities. The SEUALG uses fund balance accounting to demonstrate compliance with financially related legal requirements along with budgetary and grant specific requirements and restrictions. The SEUALG maintains only governmental and fiduciary funds.

1) **Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, governmental funds statements emphasize near-term inflows and outflows of spendable resources, as well as the balances of spendable resources (fund balances) available at the end of the year. Such information may be useful in evaluating the SEUALG's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the *government-wide financial statements*, it is useful to compare the *governmental funds* information with the information detailed for *governmental activities* in the *government-wide financial statements*. Reconciliation between the *governmental funds* and the *government-wide financial statements* is necessary to understand how the information presented differs. The SEUALG maintains one governmental fund, which is the General Fund.

### **General Fund**

The General Fund is the primary operating fund of the SEUALG. Revenues from grants, intergovernmental contributions, program income, fees for services, donations, and all other sources are accounted for in this fund. Expenditures for program operation and SEUALG administrative costs are also accounting for in the General Fund.

### **Fiduciary Funds**

*Trust and Agency Funds* - The SEUALG acts as the manager and fiscal agent for the independent non-profit Southeastern Utah Business and Technical Assistance Center (BTAC). The activities of this agency are accounted for in a separate trust fund and in the same manner as enterprise funds.

*Nonexpendable Trust Funds* - The Revolving Loan Fund Program was created by the SEUALG almost fifteen years ago with grant monies from various federal sources to provide gap financing for qualified businesses in the southeast district. The funds in the Revolving Loan Fund portfolio are accounted for individually depending on the original funding source and are included in the SEUALG's basic financial statements as nonexpendable trust funds.

### **Financial Analysis (Government/Agency-wide)**

An analysis of SEUALG's net assets, may serve over time, as a useful indicator of the organization's financial position. In the case of the SEUALG, assets exceeded liabilities by \$909,960 as of June 30, 2005. We have made a comparison of the past two fiscal years of net assets.

**Table 1**  
**Net Assets**

	Governmental Activities June 30, 2005	Governmental Activities June 30, 2004
Current and other assets	\$ 666,552	\$ 695,270
Capital assets	395,209	440,569
Total assets	\$ 1,061,761	\$ 1,135,839
Long-term debt outstanding	\$ 60,759	\$ 56,289
Other liabilities	91,042	82,682
Total liabilities	\$ 151,801	\$ 138,971
Net assets:		
Investment in capital assets, net of debt	\$ 395,209	\$ 440,569
Restricted	320,155	306,568
Unrestricted	194,596	249,731
Total net assets	\$ 909,960	\$ 996,868

## Governmental Activities Analysis

A comparison of this fiscal year's activities with the previous year's activity is represented in Table 2 below

**Table 2**  
**Change in Net Assets**

	<b>Governmental Activities June 30, 2005</b>	<b>Governmental Activities June 30, 2004</b>
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 143,418	\$ 47,458
Operating grants and contributions	3,180,438	2,902,196
General Revenues:		
Other general revenues	12,642	6,862
 Total revenues	 \$ 3,336,498	 \$ 2,956,516
 <b>Program expenses</b>		
General government	\$ 152,393	\$ 157,045
Public safety	702,486	
Public health	2,193,853	2,200,122
Economic development	367,612	569,315
 Total expenses	 \$ 3,416,344	 \$ 2,926,482
 Excess (deficiency) before transfers	 \$ (79,846)	 \$ 30,034
Transfers		887
 Change in net assets	 \$ (79,846)	 \$ 30,921
 Net assets - beginning	 \$ 989,806	 \$ 958,885
Net assets - ending	909,960	989,806
	 \$ (79,846)	 \$ 30,921

### **Capital Assets**

The SEUALG's threshold for reporting and tracking capital assets is \$5,000. In order to comply with various grant and contract requirements, the SEUALG also tracks all equipment, computer, and software purchases over \$200. However, these expenditures are not accounted for in the Capital Asset Account. The SEUALG's investment in capital assets net of accumulated depreciation as of June 30, 2005 was \$395,209.

**Table 3**  
**Capital Assets**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Transfers,</u> <u>Adjustments</u> <u>and</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
Buildings	\$ 336,187			\$ 336,187
Equipment and vehicles	258,411		\$ (21,621)	236,790
Total	<u>\$ 594,598</u>	<u>\$ ...</u>	<u>\$ (21,621)</u>	<u>\$ 572,977</u>

During the fiscal period ending June 30, 2005 the SEUALG did not purchase any additional capital assets. The Association did sell a 2001 Dodge Quad from the Weatherization Program, which had an original cost of \$21,621. The pick-up was sold for \$5,777 and the proceeds from the sale were credited back to the Weatherization Program.

### **Long Term Debt**

The SEULAG carries two long-term debt obligations. The primary obligation is to the Olene Walker Housing Loan Fund. Funds in the amount of \$35,000.00 were originally loaned to the SEUALG to cover the cash requirements for the District's housing rehabilitation program. Unneeded funds are kept on deposit at the Public Treasurer's Fund and interest payments accrue to the housing rehabilitation program. These funds will be returned to the State of Utah if/when the housing rehabilitation program is terminated.

The second long term debt obligation is for compensated absences in the amount of \$25,759.

### **Request for Information**

This financial report is designed to provide interested parties with a general overview of the SEULAG's financial status and to demonstrate the SEUALG's accountability for the state, federal, and local funding it received. Question concerning any of the reports and information contained in this financial audit, and requests for additional information, should be addressed to the Southeastern Utah Association of Local Governments, Executive Director, 375 S. Carbon Ave. (P.O. Box 1106), Price, UT 84501.

**SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b><u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u></b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 182,963
Investments, at cost	109,035
Due from other governmental units	329,620
Prepaid expenses	44,934
Capital assets (net of accumulated depreciation):	
Buildings	296,304
Equipment	<u>98,905</u>
Total assets	<u>\$ 1,061,761</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 91,042
Noncurrent liabilities:	
Note payable - Due in more than one year	35,000
Compensated absences	<u>25,759</u>
Total liabilities	<u>\$ 151,801</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	\$ 395,209
Restricted	320,155
Unrestricted	<u>194,596</u>
Total net assets	<u>\$ 909,960</u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
	CHARGES FOR SERVICES		OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	TOTAL
	EXPENSES					
Primary government:						
Governmental activities:						
General government	\$ 152,393		\$ 153,268		\$ 875	\$ 875
Public safety	702,486		702,486			
Public health	2,193,853	\$ 141,206	2,020,018		(32,629)	(32,629)
Economic development	367,612	2,212	304,666		(60,734)	(60,734)
Total governmental activities	\$ 3,416,344	\$ 143,418	\$ 3,180,438	\$ ...	\$ (92,488)	\$ (92,488)
Total primary government	\$ 3,416,344	\$ 143,418	\$ 3,180,438	\$ ...	\$ (92,488)	\$ (92,488)
General revenues:						
Unrestricted investment earnings					\$ 3,581	\$ 3,581
Loss on sale of capital assets					(2,719)	(2,719)
Miscellaneous					11,780	11,780
Total general revenues and transfers					\$ 12,642	\$ 12,642
Change in net assets					\$ (79,846)	\$ (79,846)
Net assets - beginning					989,806	989,806
Net assets - ending					\$ 909,960	\$ 909,960

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION  
 OF LOCAL GOVERNMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005**

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>		
Cash	\$ 182,963	\$ 182,963
Investments at cost	109,035	109,035
Due from other governmental units	329,620	329,620
Prepaid expenses	44,934	44,934
Total assets	<u>\$ 666,552</u>	<u>\$ 666,552</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	<u>\$ 91,042</u>	<u>\$ 91,042</u>
Total liabilities	<u>\$ 91,042</u>	<u>\$ 91,042</u>
Fund balances:		
Reserved	\$ 320,155	\$ 320,155
Unreserved, reported in:		
General fund	<u>255,355</u>	<u>255,355</u>
Total fund balances	<u>\$ 575,510</u>	<u>\$ 575,510</u>
Total liabilities and fund balances	<u>\$ 666,552</u>	<u>\$ 666,552</u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION**  
**OF LOCAL GOVERNMENTS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total fund balances - governmental fund types: \$ 575,510

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Buildings	\$ 296,304	
Equipment	<u>98,905</u>	395,209

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Capital lease payable - within one year	\$ (35,000)	
Compensated absences	<u>(25,759)</u>	<u>(60,759)</u>

Net assets of governmental activities \$ 909,960

"The notes to the financial statements are an integral part of this statement."



**SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>		
Intergovernmental	\$ 3,180,438	\$ 3,180,438
Charges for services	143,418	143,418
Miscellaneous revenue	<u>21,138</u>	<u>21,138</u>
Total revenues	<u>\$ 3,344,994</u>	<u>\$ 3,344,994</u>
<b>EXPENDITURES:</b>		
Current:		
General government	\$ 149,326	\$ 149,326
Public safety	702,486	702,486
Public health	2,171,859	2,171,859
Economic development	<u>358,401</u>	<u>358,401</u>
Total expenditures	<u>\$ 3,382,072</u>	<u>\$ 3,382,072</u>
Excess revenues over (under) expenditures	\$ (37,078)	\$ (37,078)
FUND BALANCES - beginning of year	<u>612,588</u>	<u>612,588</u>
FUND BALANCES - end of year	<u><u>\$ 575,510</u></u>	<u><u>\$ 575,510</u></u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION  
 OF LOCAL GOVERNMENTS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (37,078)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(29,802)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(8,496)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(4,470)
Change in net assets of governmental activities	\$ <u>(79,846)</u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	
REVENUES:				
Intergovernmental	\$ 3,947,720	\$ 3,947,720	\$ 3,180,438	\$ (767,282)
Charges for services	97,000	97,000	143,418	46,418
Miscellaneous revenue	15,000	15,000	21,138	6,138
Total revenues	<u>\$ 4,059,720</u>	<u>\$ 4,059,720</u>	<u>\$ 3,344,994</u>	<u>\$ (714,726)</u>
EXPENDITURES:				
Current:				
General government	\$ 182,557	\$ 182,557	\$ 149,326	\$ 33,231
Total general government	<u>\$ 182,557</u>	<u>\$ 182,557</u>	<u>\$ 149,326</u>	<u>\$ 33,231</u>
Public safety	\$ 1,100,000	\$ 1,100,000	\$ 702,486	\$ 397,514
Total public safety	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 702,486</u>	<u>\$ 397,514</u>
Public health	\$ 2,257,463	\$ 2,257,463	\$ 2,171,859	\$ 85,604
Total public health	<u>\$ 2,257,463</u>	<u>\$ 2,257,463</u>	<u>\$ 2,171,859</u>	<u>\$ 85,604</u>
Economic development	\$ 519,700	\$ 519,700	\$ 358,401	\$ 161,299
Total economic development	<u>\$ 519,700</u>	<u>\$ 519,700</u>	<u>\$ 358,401</u>	<u>\$ 161,299</u>
Total expenditures	<u>\$ 4,059,720</u>	<u>\$ 4,059,720</u>	<u>\$ 3,382,072</u>	<u>\$ 677,648</u>
Excess of revenue over (under) expenditures			\$ (37,078)	\$ (37,078)
Fund balances - beginning of year	<u>\$ 612,588</u>	<u>\$ 612,588</u>	<u>612,588</u>	
Fund balances - end of year	<u>\$ 612,588</u>	<u>\$ 612,588</u>	<u>\$ 575,510</u>	<u>\$ (37,078)</u>

"The notes to the financial statements are an integral part of this statement."

SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	REVOLVING LOAN FUNDS TRUST FUNDS	BTAC
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 60,890	\$ 3,188
Investments	326,408	112,187
Note receivable - EDA funds	627,880	
Note receivable - CDBG funds	259,881	
Note receivable - San Juan funds	55,627	
Note receivable - FmHA	29,029	
Note receivable - F.C. Partnership	37,252	
Note receivable - Rural Development	13,365	
Total current assets	<u>\$ 1,410,332</u>	<u>\$ 115,375</u>
Noncurrent Assets:		
Equipment		\$ 5,279
Less: Accumulated depreciation		(2,639)
Total noncurrent assets	<u>\$ ...</u>	<u>\$ 2,640</u>
Total assets	<u>\$ 1,410,332</u>	<u>\$ 118,015</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Current portion long-term debt		\$ 1,140
Total current liabilities	<u>\$ ...</u>	<u>\$ 1,140</u>
Noncurrent Liabilities:		
Deposit payable		\$ 3,894
Capital lease payable		402
Total noncurrent liabilities	<u>\$ ...</u>	<u>\$ 4,296</u>
Total liabilities	<u>\$ ...</u>	<u>\$ 5,436</u>
<u>NET ASSETS</u>		
Held in trust	<u>\$ 1,410,332</u>	<u>\$ 112,579</u>
Total net assets	<u>\$ 1,410,332</u>	<u>\$ 112,579</u>

"The notes to the financial statements are an integral part of this statement."

SOUTHEASTERN UTAH ASSOCIATION  
OF LOCAL GOVERNMENTS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	REVOLVING LOAN FUNDS TRUST FUNDS	BTAC
OPERATING REVENUES:		
Charges for services	\$ 8,953	\$ 49,446
Interest	56,740	
Total operating revenues	<u>\$ 65,693</u>	<u>\$ 49,446</u>
OPERATING EXPENSES:		
Salaries and benefits	\$ 13,063	\$ 16,775
Meeting and conference	320	156
Repairs and maintenance		17,211
Dues and publications		10
Advertising		314
Contractual services		967
Telephone	128	3,484
Utilities		13,619
Depreciation		754
Indirect expense	1,881	2,628
Rent	625	
Travel	2,316	234
Insurance		1,524
Supplies	646	3,587
Fees	1,831	379
Miscellaneous	350	326
Total operating expenses	<u>\$ 21,160</u>	<u>\$ 61,968</u>
Operating income/(loss)	<u>\$ 44,533</u>	<u>\$ (12,522)</u>
NON-OPERATING REVENUES (EXPENSES):		
RLF grants	\$ 30,000	
Loan write-off	(12,744)	
Loan recovery	12,787	
Gain on loan restructure	339	
Interest revenue		\$ 2,693
Interest expense		(180)
Total non-operating revenues (expenses)	<u>\$ 30,382</u>	<u>\$ 2,513</u>
Change in net assets	<u>\$ 74,915</u>	<u>\$ (10,009)</u>
RETAINED EARNINGS/FUND BALANCES, beginning of year	<u>1,335,417</u>	<u>122,588</u>
RETAINED EARNINGS/FUND BALANCES, end of year	<u>\$ 1,410,332</u>	<u>\$ 112,579</u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Southeastern Utah Association of Local Governments (Association) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

The Southeastern Utah Association of Local Governments was established in 1970 by representatives of local governments of Carbon, Emery, Grand and San Juan counties in the State of Utah in accordance with an Executive Order issued by Governor Rampton in 1970. The Executive Order fixed the boundaries of multi-county districts for planning and development in the State of Utah. All county and municipal units of government within each district were requested to cooperate and participate in establishing a multi-county association of governments under the terms of the Inter-local Cooperation Act of 1965. The main purposes of the districting and the establishment of Association of Governments were to facilitate area-wide planning and development activities, to provide a strengthened role of county and municipal officials in the execution of state and federal programs at the local level, and to eliminate duplication and competition between various levels of government and thus facilitate the most effective use of the State's resources.

In June 1999, the Governmental Accounting Standard Board (GASB) unanimously approved Statement No. 34, Basic Financial Statement and Management's Discussion and Analysis, State and Local Governments. Certain of the significant changes in Statement No. 34 include the following:

- For the first time the financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Association's overall financial position and results of operations.

Financial Statements prepared using full accrual accounting for all of the Association's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements as of June 30, 2005.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

A. **Reporting Entity**

For financial reporting purposes, the Association has included all funds, organizations, account groups, agencies, boards and commissions. The Association has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Association. According to the Standards listed above there are no entities that should be included in the Association's financial statements as component units.

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Association.

Fiduciary fund financial statements are presented using the accounting basis, which is consistent with the fund's accounting measurement objective. Trust funds use the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable. The Fiduciary Funds reported in the Association's financial statements are used to account for the activity of the revolving loan moneys received from different governmental organizations and funds held for the Southeastern Utah Business and Technical Assistance Center.

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Association has elected not to follow subsequent private-sector guidance.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Association's BTAC function and various other functions of the Association. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. **Budgeting**

The Association's budgets are adopted on the modified accrual basis of accounting. The Association follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds which require a budget: all general and special revenue funds. The budget is a complete financial plan, which identifies all estimated revenue and all appropriations for expenditure for the year. The budget must balance, that is estimated revenues and other financing sources must equal appropriated expenditures.
2. By June 7, the Association's accountant submits to the Association's governing board a proposed operating budget for the fiscal year beginning July 1.
3. The Board of Directors discusses and approved the budget and sets a date for a public hearing.
4. A public hearing is held to obtain taxpayer comments and the budget is adopted.
5. The governing board can transfer budgeted amounts between line items or departments by resolution, but any action that increases the total general fund budget must be approved by resolution only after a public hearing. (The budgets of other funds may be increased after giving public notice.)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents and Investments**

Cash and Cash Equivalents - Cash and cash equivalents are carried at cost or amortized cost, which approximates market. Cash and cash equivalents are reported on the financial statements as cash and represent deposits with financial institutions or cash deposits held in escrow. The cash reported on the financial statements by fund has been pooled by the Treasurer into one or two bank accounts.

Investments - Investments are funds deposited with the State of Utah and held in the States Public Treasurers Investment Fund. Investments are considered cash equivalent in the financial statements.

**F. Receivables**

Accounts receivable in the governmental fund types consist mainly of amounts due from federal and state governments where collectibility is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established.

**G. Capital Assets**

Capital assets, which include building and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Estimated useful lives are as follows:

Equipment	5-15 years
Building	40 years

**H. Compensated Absences**

It is the Association's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave because employees are not paid for unused sick leave at retirement or termination. Vacation pay vests to employees and is paid to employees in cash at termination or when they retire.

## **2. DEPOSITS AND INVESTMENTS**

Deposits and investing for the Association is governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### **Deposits**

The Association maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the Association's bank balance of cash on deposit was \$182,963 of this amount \$146,004 was insured. But \$36,959 of the deposits are uninsured and uncollateralized.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

## 2. DEPOSITS AND INVESTMENTS (Continued)

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the Association had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 109,035	\$ 109,035			
Total Investments	\$ 109,035	\$ 109,035	\$ ...	\$ ...	\$ ...

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The Association also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association has not adopted a formal policy with regards to credit risk on investments but the Association informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

2. **DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2005, the Association had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 109,035				\$ 109,035
Total	<u>\$ 109,035</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 109,035</u>

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal policy for custodial credit risk. As of June 30, 2005, the District had \$109,035 invested in the Public Treasurer's Investment Fund and was held by them.

3. **RESERVED FUND BALANCE**

The Association has restricted fund balances in the amount of \$320,155. Amounts have been reserved because the Association has entered into many different grant agreements where funds are restricted by these agreements for specific functions.

4. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land				
Total capital assets not being depreciated	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>
Capital assets being depreciated:				
Buildings	<u>\$ 336,187</u>			<u>\$ 336,187</u>
Machinery and equipment	<u>258,411</u>		<u>\$ (21,621)</u>	<u>280,032</u>
Total capital assets being depreciated:	<u>\$ 594,598</u>	<u>\$ ...</u>	<u>\$ (21,621)</u>	<u>\$ 616,219</u>
Less accumulated depreciation for:				
Buildings	<u>\$ 31,478</u>	<u>\$ 8,405</u>		<u>\$ 39,883</u>
Machinery and equipment	<u>129,613</u>	<u>21,397</u>	<u>\$ 13,125</u>	<u>137,885</u>
Total accumulated depreciation	<u>\$ 161,091</u>	<u>\$ 29,802</u>	<u>\$ 13,125</u>	<u>\$ 177,768</u>
Total capital assets being depreciated, net	<u>\$ 433,507</u>	<u>\$ (29,802)</u>	<u>\$ (8,496)</u>	<u>\$ 438,451</u>
Governmental activities capital assets, net	<u>\$ 433,507</u>	<u>\$ (29,802)</u>	<u>\$ (8,496)</u>	<u>\$ 395,209</u>

4. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 2,365
Public Health	19,032
Community and Economic Development	<u>8,405</u>
 Total depreciation expense - governmental activities	 <u>\$ 29,802</u>

5. **PENSION PLAN**

Plan description. Southeastern Utah Association of Local Governments (S.E.U.A.O.G.) contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The systems issued a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the Association is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the Association is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Association contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$ 14,992.81, \$15,429.46 and \$15,846.44 respectively and for the Noncontributory Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$ 71,230.44, \$64,974.42 and \$55,687.93 respectively. The contributions were equal to the required contributions for each year.

## 6. LONG-TERM DEBT

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 35,000		\$ 35,000
	<u>\$ 35,000</u>	<u>\$ ...</u>	<u>\$ 35,000</u>

### Governmental Activities

\$35,000 Olene Walker Housing Trust Fund loan through the State of Utah, Department of Community and Economic Development, Promissory note, zero percent interest, due in three years \$35,000

### Changes in long-term liabilities:

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Note payable	\$ 35,000			\$ 35,000	
Compensated absences	21,289	\$ 4,470		25,759	
Governmental activity long-term liability	<u>\$ 56,289</u>	<u>\$ 4,470</u>	<u>\$ ...</u>	<u>\$ 60,759</u>	<u>\$ ...</u>

## 7. UNCOLLECTIBLE LOANS

The Southeastern Utah Association of Local Governments (Association) has received funds from several different sources to create and operate a revolving loan fund. For the past several years, the Association has made loans to individuals and businesses that have met the qualifications established when grant funds were received.

Unfortunately, some businesses and individuals who have received loan funds are not current on their repayment of these loans. The revolving loan board has taken several measures to recover these moneys. Some loans have been restructured while others are being litigated in an effort to secure these funds. During the year ended June 30, 2005, the Association restructured one business's loan. The restructure process involved writing off \$12,743.69 of an EDA Recap loan and reissuing the loan as an EDA loan in the amount of \$12,786.81.



**8. DEFERRED COMPENSATION PLANS**

The Association offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code. The plans, available to all employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plans are administered by the Utah Retirement Systems (URS). The URS has adopted Government Accounting Standards Board Statement No. 32 (GASB 32), Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. As a result, all of the assets and income of the deferred compensation plans are held in pooled investment fund trusts by the URS for the exclusive benefit of the participants or their beneficiaries rather than as assets of the employer. Since the URS is the fiduciary of these assets, the Association is no longer required to report the assets.

These plans are included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the URS report may be obtained by writing to the Utah Retirement Systems, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**9. RISK MANAGEMENT**

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association pays an annual premium to Utah Local Governments Trust for its health insurance coverage. The Association is insured through commercial companies for its general liability coverage. At June 30, 2005, the Association had no claims or judgements filed against its related to the risks mentioned above.

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
COMBINING BALANCE SHEET  
FIDUCIARY FUNDS  
REVOLVING LOAN FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	EDA RLF PROJ. INC. RECAP	EDA RLF FUND PROJ. INC.	CDBG RLF FUND PROJ. INC.	CDBG MONTICELLO PROJ. INC.	SAN JUAN RLF FUND PROJ. INC.	FmHA RLF FUND PROJ. INC.	FOUR CORNERS FOREST RLF PROJ. INC.	RURAL DEVELOPMENT RLF FUND PROJ. INC.	TOTAL
Cash	\$ (50)	\$ 13,444	\$ 8,433	\$ 18,412	\$ 18,762	\$ 11,126	\$ (208)	\$ (9,029)	\$ 60,890
Investments	94,769	23,295	16,953		66,378	41,466	26,525	57,022	326,408
Note receivable - EDA funds	71,592	556,288							627,880
Note receivable - CDBG funds			213,446	46,435					259,881
Note receivable - San Juan funds					55,627				55,627
Note receivable - FmHA						29,029			29,029
Note receivable - F.C. Partnership							37,252		37,252
Note receivable - Rural Development								13,365	13,365
Total assets	\$ 166,311	\$ 593,027	\$ 238,832	\$ 64,847	\$ 140,767	\$ 81,621	\$ 63,569	\$ 61,358	\$ 1,410,332

## LIABILITIES AND FUND EQUITY

## LIABILITIES:

Accounts payable

Total liabilities

## FUND EQUITY:

Held in trust

Total liabilities and  
fund equity

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS/FUND BALANCES  
FIDUCIARY FUNDS  
REVOLVING LOAN FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	RURAL DEVELOPMENT RLF PROJ. INC.	EDA RLF PROJECT INCOME RECAPITALIZATION	FOUR CORNERS FOREST PARTNERSHIP	CDBG MONTICELLO RLF	FmHA RLF PROJ. INC.	EDA RLF FUND PROJ. INC.	CDBG RLF FUND PROJ. INC.	SAN JUAN RLF FUND PROJ. INC.	TOTALS (MEMORANDUM ONLY) JUNE 30, 2005
OPERATING REVENUES									
Charges for services	\$ 10	\$ 357		\$ 160	\$ 49	\$ 4,613	\$ 3,764	\$ 5,564	\$ 8,953
Interest	2,357	3,902	\$ 400	2,830	2,398	29,370	9,919		56,740
Total operating revenues	\$ 2,367	\$ 4,259	\$ 400	\$ 2,990	\$ 2,447	\$ 33,983	\$ 13,683	\$ 5,564	\$ 65,693
OPERATING EXPENSES:									
Salaries and benefits				\$ 15		\$ 9,261	\$ 3,787		\$ 13,063
Meeting and conference						304	16		320
Indirect expense						1,247	634		1,881
Travel		\$ 98				1,598	620		2,316
Rent		100				525			625
Supplies	\$ 20	22		1	\$ 2	403	190	\$ 8	646
Telephone						82	46		128
Fees		126				1,323	382		1,831
Miscellaneous						347	3		350
Total operating expenses	\$ 20	\$ 346	\$ 400	\$ 16	\$ 2	\$ 15,090	\$ 5,678	\$ 8	\$ 21,160
Operating income/(loss)	\$ 2,347	\$ 3,913	\$ 400	\$ 2,974	\$ 2,445	\$ 18,893	\$ 8,005	\$ 5,556	\$ 44,533
NON-OPERATING REVENUES (EXPENSES):									
RLF Grants				\$ 30,000					\$ 30,000
Gain on loan restructure	\$ (29)	\$ 75			\$ 88	\$ 98	\$ 107		339
Loan recovery						12,787			12,787
Loan write-off		(12,744)							(12,744)
Total non-operating revenues (expenses)	\$ (29)	\$ (12,669)	\$ 400	\$ 30,000	\$ 88	\$ 12,885	\$ 107	\$ 5,556	\$ 30,382
Net income/(loss)	\$ 2,318	\$ (8,756)	\$ 400	\$ 32,974	\$ 2,533	\$ 31,778	\$ 8,112	\$ 5,556	\$ 74,915
RETAINED EARNINGS/FUND BALANCES, beginning of year	59,040	175,067	63,169	31,873	79,088	561,249	230,720	135,211	1,335,417
RETAINED EARNINGS/FUND BALANCES, end of year	\$ 61,358	\$ 166,311	\$ 63,569	\$ 64,847	\$ 81,621	\$ 593,027	\$ 238,832	\$ 140,767	\$ 1,410,332

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
COMBINING STATEMENT OF CASH FLOW  
FIDUCIARY FUNDS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2005

	RURAL DEVELOPMENT RLF PROJ INC	EDA RLF PROJ INC RECAP	FOUR CORNERS FOREST RLF PROJ INC	FmHA FUND PROJ INC	EDA RLF FUND PROJ INC	CBG MONTICELLO PROJ INC	CBG RLF FUND PROJ INC	SAN JUAN RLF FUND PROJ INC	TOTALS (MEMORANDUM ONLY) JUNE 30, 2005
CASH FLOW FROM OPERATING ACTIVITIES:									
Cash received from customers	\$ 2,367	\$ 4,259	\$ 400	\$ 2,447	\$ 33,983	\$ 2,990	\$ 13,683	\$ 5,564	\$ 65,693
Cash payments to supplies for goods and services	(20)	(346)		(2)	(15,090)	(16)	(5,678)	(8)	(21,160)
Net cash provided (used) by operating activities	\$ 2,347	\$ 3,913	\$ 400	\$ 2,445	\$ 18,893	\$ 2,974	\$ 8,005	\$ 5,556	\$ 44,533
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Loans made to clients		\$ (31,000)			\$ (216,000)	\$ (30,000)	\$ (108,000)		\$ (385,000)
Revolving loan funds received	\$ 11,701	17,908	\$ 3,248	\$ 12,348	163,472	9,131	27,779	\$ 25,955	30,000
Payments received on loans									271,542
Net cash provided (used) by noncapital financing activities	\$ 11,701	\$ (13,092)	\$ 3,248	\$ 12,348	\$ (52,528)	\$ 9,131	\$ (80,221)	\$ 25,955	\$ (83,458)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 14,048	\$ (9,179)	\$ 3,648	\$ 14,793	\$ (33,635)	\$ 12,105	\$ (72,216)	\$ 31,511	\$ (38,925)
CASH AND CASH EQUIVALENTS - Beginning of year	33,945	103,898	22,669	37,799	70,374	6,307	97,602	53,629	426,223
CASH AND CASH EQUIVALENTS - End of year	\$ 47,993	\$ 94,719	\$ 26,317	\$ 52,592	\$ 36,739	\$ 18,412	\$ 25,386	\$ 85,140	\$ 387,298
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:									
Operating income (loss)	\$ 2,347	\$ 3,913	\$ 400	\$ 2,445	\$ 18,893	\$ 2,974	\$ 8,005	\$ 5,556	\$ 44,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Change in assets and liabilities:									
Net cash provided (used) by operating activities	\$ 2,347	\$ 3,913	\$ 400	\$ 2,445	\$ 18,893	\$ 2,974	\$ 8,005	\$ 5,556	\$ 44,533

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	USDA CHILD NUTRITION	HCFA MEDICARE WAIVER	AGING AND NUTRITION	AGING AND NUTRITION LOCAL	AGING AND NUTRITION PROGRAM INCOME	PROCURE- MENT	BUILDING FUND	USDA CHILD NUTRITION	EASTERN UTAH TV & TECH	EMERGENCY FOOD NETWORK	EMERY CLAUS
<b>REVENUES:</b>											
Intergovernmental revenue	\$ 5,793		\$ 599,773	\$ 236,052	\$ 97,261	\$ 46,038	\$ 12,000	\$ 9,249	\$ 13	\$ 18,888	
Charges for service	143,418										
Miscellaneous revenue	21,138										
<b>Total revenues</b>	<b>\$ 3,344,994</b>	<b>\$ 5,793</b>	<b>\$ 599,773</b>	<b>\$ 236,052</b>	<b>\$ 97,261</b>	<b>\$ 46,038</b>	<b>\$ 12,000</b>	<b>\$ 9,249</b>	<b>\$ 13</b>	<b>\$ 18,888</b>	<b>\$</b>
<b>EXPENDITURES:</b>											
General government	\$ 149,326										
Community and economic development	358,401					\$ 46,038	\$ 17,401		\$ 13		
Public safety	702,486										
Public health	2,171,859		\$ 599,773	\$ 225,543	\$ 97,261			\$ 9,249		\$ 18,888	
<b>Total expenditures</b>	<b>\$ 3,382,072</b>	<b>\$ 5,793</b>	<b>\$ 599,773</b>	<b>\$ 225,543</b>	<b>\$ 97,261</b>	<b>\$ 46,038</b>	<b>\$ 17,401</b>	<b>\$ 9,249</b>	<b>\$ 13</b>	<b>\$ 18,888</b>	<b>\$</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (37,078)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 10,509</b>	<b>\$</b>	<b>\$</b>	<b>\$ (5,401)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>OTHER FINANCING SOURCES (USES):</b>											
Operating transfers in (out)		\$ (13,999)									
<b>Total other financing sources (uses)</b>	<b>\$</b>	<b>\$ (13,999)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ (37,078)</b>	<b>\$ (13,999)</b>	<b>\$</b>	<b>\$ 10,509</b>	<b>\$</b>	<b>\$ (5,401)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 223</b>
Fund balance, July 1,	612,588	15,978		6,586			21,010			\$ 1,126	\$ 223
Fund balance, June 30,	\$ 575,510	\$ 1,979	\$	\$ 17,095	\$	\$	\$ 15,609	\$	\$	\$ 1,126	\$ 223

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	CSBG	CSBG	SEUDD	SEUDD	CARBON ENSURE	TITLE XX LOCAL	EMERY FEMA	EMERY ADMINI- STRATION	CARBON FEMA	GRAND FEMA	LEAD BASE PAINT TESTING
REVENUES:											
Intergovernmental revenue	\$ 115,087	\$ 29,147	\$ 36,284	\$ 25,500	\$ 11,361	\$ 49,785	\$ 7,737	\$ 16,240	\$ 12,800	\$ 7,318	\$ 5,706
Charges for services											
Miscellaneous revenue											
Total revenues	\$ 115,087	\$ 29,147	\$ 36,284	\$ 25,500	\$ 11,361	\$ 49,785	\$ 7,737	\$ 16,240	\$ 12,800	\$ 7,318	\$ 5,706
EXPENDITURES:											
General government											
Community and economic development			\$ 36,284	\$ 3,061							\$ 5,706
Public safety	\$ 115,287	\$ 29,147			\$ 11,361	\$ 49,785	\$ 7,606	\$ 15,170	\$ 13,102	\$ 7,106	
Public health	\$ 115,287	\$ 29,147	\$ 36,284	\$ 3,061	\$ 11,361	\$ 49,785	\$ 7,606	\$ 15,170	\$ 13,102	\$ 7,106	\$ 5,706
Total expenditures	\$ 115,287	\$ 29,147	\$ 36,284	\$ 3,061	\$ 11,361	\$ 49,785	\$ 7,606	\$ 15,170	\$ 13,102	\$ 7,106	\$ 5,706
Excess of revenues over (under) expenditures	\$ (200)	\$ ...	\$ ...	\$ 22,439	\$ ...	\$ ...	\$ 131	\$ 1,070	\$ (302)	\$ 212	\$ ...
OTHER FINANCING SOURCES (USES):	\$ (105,033)	\$ 105,033									
Operating transfers in (out)											
Total other financing sources (uses)	\$ (105,033)	\$ 105,033	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Excess of revenues and other sources over (under) expen- ditures and other uses	\$ (105,233)	\$ 105,033	\$ 22,439				\$ 131	\$ 1,070	\$ (302)	\$ 212	
Fund balance, July 1,	105,233						3,803	6,345	6,551	3,553	
Fund balance, June 30,	\$ ...	\$ 105,033	\$ ...	\$ 22,439	\$ ...	\$ ...	\$ 3,934	\$ 7,415	\$ 6,249	\$ 3,765	\$ ...

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	HEAT PROGRAM	LIHEAP WEATHER- IZATION	DOE WX	LIHEAP WX	AAA LOCAL	HEAT ADMIN.	HEAT ADMIN.	UTAH POWER WX	LIHEAP WX	HEAT CASE MANAGEMENT	MEDICAID WAIIVER DAAS	HCFA MED WAIIVER NON-BILLABLE
REVENUES:												
Intergovernmental revenue	\$ 8,899	\$ 101,172	\$ 215,025	\$ 240,918	\$ 16,900	\$ 100,393	\$ 526	\$ 401	\$ 5,564	\$ 1,483		
Charges for services												
Miscellaneous revenue												
Total revenues	\$ 8,899	\$ 101,172	\$ 215,025	\$ 240,918	\$ 16,900	\$ 100,393	\$ 526	\$ 401	\$ 5,564	\$ 1,483	\$	\$
EXPENDITURES												
General government												
Community and economic												
development												
Public safety												
Public health												
Total expenditures	\$ 8,899	\$ 101,172	\$ 215,025	\$ 240,918	\$ 19,719	\$ 100,393	\$ 526	\$ 401	\$ 5,564	\$ 1,483		
Excess of revenues over												
(under) expenditures	\$	\$	\$	\$	\$ (2,819)	\$	\$	\$	\$	\$	\$	\$
OTHER FINANCING SOURCES												
(USES):												
Operating transfers in (out)											\$ 12,057	\$ 1,942
Total other financing sources											\$ 12,057	\$ 1,942
(uses)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Excess of revenues and other												
sources over (under) expen-					\$ (2,819)						\$ 12,057	\$ 1,942
diures and other uses					33,083						(12,057)	(1,942)
Fund balance, July 1,												
Fund balance, June 30,	\$	\$	\$	\$	\$ 30,264	\$	\$	\$	\$	\$	\$	\$

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	CDBG HOUSING REHAB	CDBG COMMUNITY DEVELOPMENT	SBDC SUPPORT	CDBG ECON DEVELOP	CDBG 1% TA	RATING AND RANKING	CDBG ECONOMIC DEVELOPMENT	SAN JUAN ECONOMIC DEVELOPMENT	CDBG COMMUNITY DEVELOP	WORK CAMP FOUNDATION	GROUP WORK CAMP	CDBG PD/HOUSING	PCIB SPANISH VALLEY
REVENUES:													
Intergovernmental revenue	\$ 19,891	\$ 22,761	\$ 3,674	\$ 6,843	\$ 22,326	\$ 6,000	\$ 19,306		\$ 12,469		\$ 22,711	\$ 24,972	
Charges for services													
Miscellaneous revenue													
Total revenues	\$ 19,891	\$ 22,761	\$ 3,674	\$ 6,843	\$ 22,326	\$ 6,000	\$ 19,306		\$ 12,469		\$ 22,711	\$ 24,972	\$ ...
EXPENDITURES:													
General government													
Community and economic development	\$ 17,276	\$ 22,761	\$ 3,674	\$ 6,843	\$ 22,326	\$ 6,000	\$ 19,306		\$ 12,469			\$ 24,972	
Public safety													
Public health											\$ 22,711		
Total expenditures	\$ 17,276	\$ 22,761	\$ 3,674	\$ 6,843	\$ 22,326	\$ 6,000	\$ 19,306		\$ 12,469		\$ 22,711	\$ 24,972	\$ ...
Excess of revenues over (under) expenditures	\$ 2,615	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...		\$ ...		\$ ...	\$ ...	\$ ...
OTHER FINANCING SOURCES (USES):													
Operating transfers in (out)													
Total other financing sources (uses)	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...		\$ ...		\$ ...	\$ ...	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 2,615												
Fund balance, July 1,	(2,615)							\$ 522		\$ 2,859			\$ 10,000
Fund balance, June 30,	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 522	\$ ...	\$ 2,859	\$ ...	\$ ...	\$ 10,000



SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	HOME PROGRAM LOAN	CARBON FOOD BANK	EMERY FOOD BANK	GRAND FOOD BANK	A.O.G. MISCELLANEOUS	FIRST TIME HOME BUYER	FIRST TIME HOME BUYER	CIB PLANNING	AOG COUNTY PLANNER	CIB CAPITAL IMPROVEMENTS	SPANISH VALLEY DEVELOPMENT
REVENUES:											
Intergovernmental revenue		\$ 1,358	\$ 1,997	\$ 904	\$ 34,268	\$ 5,556	\$ 1,462	\$ 55,000	\$ 60,000	\$ 4,000	
Charges for Services	\$ 985	30			2,596				500		
Miscellaneous											
Total revenues	\$ 985	\$ 1,388	\$ 1,997	\$ 904	\$ 36,864	\$ 5,556	\$ 1,462	\$ 55,000	\$ 60,500	\$ 4,000	\$ ...
EXPENDITURES:											
General government					\$ 31,240			\$ 55,000	\$ 59,086	\$ 4,000	
Community and economic development						\$ 5,556					\$ 6,279
Public safety											
Public health		\$ 279	\$ 280								
Total expenditures	\$ ...	\$ 279	\$ 280	\$ ...	\$ 31,240	\$ 5,556	\$ ...	\$ 55,000	\$ 59,086	\$ 4,000	\$ 6,279
Excess of revenues over (under) expenditures	\$ 985	\$ 1,109	\$ 1,717	\$ 904	\$ 5,624	\$ ...	\$ 1,462	\$ ...	\$ 1,414	\$ ...	\$ (6,279)
OTHER FINANCING SOURCES (USES):											
Operating transfers in (out)											
Total other financing sources (uses)	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 985	\$ 1,109	\$ 1,717	\$ 904	\$ 5,624	\$ ...	\$ 1,462	\$ ...	\$ 1,414	\$ ...	\$ (6,279)
Fund balance, July 1,	5,034				249,731	\$ 1,185			42,631		7,713
Fund balance, June 30,	\$ 6,019	\$ 1,109	\$ 1,717	\$ 904	\$ 255,355	\$ 1,185	\$ 1,462	\$ ...	\$ 44,045	\$ ...	\$ 1,434

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	OWHLF ADMIN	QUESTAR GAS WX	QUESTAR GAS WX	DANIELS FOUNDATION GRANT	COPS GRANT	GROUP WORK CAMP	PRE-DISASTER MITIGATION PLANNING	EMERY COUNTY ECONOMIC DEVELOPMENT	SBCD PROGRAM	SBCD PROJECT INCOME	SBCD MATCH
REVENUES:											
Intergovernmental revenue	\$ 7,506	\$ 4,181	\$ 9,464	\$ 50,197	\$ 702,486	\$ 10,656	\$ 7,500	\$ 141	\$ 20,447	\$ 2,212	\$ 3,271
Charges for services											
Miscellaneous											
Total revenues	\$ 7,506	\$ 4,181	\$ 9,464	\$ 50,197	\$ 702,486	\$ 10,656	\$ 7,500	\$ 141	\$ 20,447	\$ 2,212	\$ 3,271
EXPENDITURES:											
General government											
Community and economic development	\$ 7,506	\$ 4,181	\$ 9,464	\$ 50,197	\$ 702,486	\$ 10,656	\$ 7,500	\$ 5,100	\$ 20,447	\$ 66,112	\$ 3,271
Public safety											
Public health											
Total expenditures	\$ 7,506	\$ 4,181	\$ 9,464	\$ 50,197	\$ 702,486	\$ 10,656	\$ 7,500	\$ 5,100	\$ 20,447	\$ 66,112	\$ 3,271
Excess of revenues over (under) expenditures	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ (4,959)	\$ ...	\$ (63,900)	\$ ...
OTHER FINANCING SOURCES (USES):											
Operating transfers in (out)											
Total other financing sources (uses)	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses								\$ (4,959)	\$ ...	\$ (63,900)	
Fund balance, July 1,								4,972		63,900	
Fund balance, June 30,	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 13	\$ ...	\$ ...	\$ ...

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	AAA MEDICARE WAIVER (HCFA)	AAA MEDICARE WAIVER (DAAS)	AAA MEDWAIVER NONBILLABLE	GROUP WORKCAMP	EDA SMART SITE	CARBON FOOD BANK	EMERY FOOD BANK	GRAND FOOD BANK	OWHLF LOAN FUND
REVENUES:									
Intergovernmental revenue		\$ 38,720		\$ 36,322	\$ 2,500	\$ 2,062	\$ 3,135	\$ 3,705	
Charges for services	\$ 24,554		\$ 19,391						
Miscellaneous						10,029	100	6,898	
Total revenues	\$ 24,554	\$ 38,720	\$ 19,391	\$ 36,322	\$ 2,500	\$ 12,091	\$ 3,235	\$ 10,603	\$ ...
EXPENDITURES:									
General government									
Community and economic development	\$ 21,888	\$ 40,697	\$ 19,391	\$ 36,322		\$ 6,704	\$ 1,417	\$ 24,406	
Public safety	\$ 21,888	\$ 40,697	\$ 19,391	\$ 36,322	\$ ...	\$ 6,704	\$ 1,417	\$ 24,406	\$ ...
Public health									
Total expenditures	\$ 21,888	\$ 40,697	\$ 19,391	\$ 36,322	\$ ...	\$ 6,704	\$ 1,417	\$ 24,406	\$ ...
Excess of revenues over (under) expenditures	\$ 2,666	\$ (1,977)	\$ ...	\$ ...	\$ 2,500	\$ 5,387	\$ 1,818	\$ (13,803)	\$ ...
OTHER FINANCING SOURCES (USES):									
Operating transfers in (out)									
Total other financing sources (uses)	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 2,666	\$ (1,977)		\$ ...	\$ 2,500	\$ 5,387	\$ 1,818	\$ (13,803)	
Fund balance, July 1,						2,034		130	\$ 35,000
Fund balance, June 30,	\$ 2,666	\$ (1,977)	\$ ...	\$ ...	\$ 2,500	\$ 7,421	\$ 1,818	\$ (13,673)	\$ 35,000

# SMUIN, RICH & MARSING

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DOUGLAS RASMUSSEN, C.P.A.

## MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Southeastern Utah Association of Local Governments  
Price, Utah 84501

RE: Auditors' Report on State Compliance  
for State Grants

We have audited the basic financial statements of Southeastern Utah Association of Local Governments, for the year ended June 30, 2005, and have issued our report thereon dated February 17, 2006. As part of our audit of the Association's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah:

Alternatives Program (Department of Human Services)

The Association received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Association's financial statements.)

CDBG Rating and Ranking (Department of Community and Economic Development)  
Emergency Food Program (Department of Health and Human Services)  
CIB Capital Improvement List (Department of Community and Economic Development)  
PVE Stripper Well Group Camps (Health and Human Services)  
Questar Gas Wx (Department of Health and Human Services)  
Group Work Camp (Department of Health and Human Services)  
Utah Power Weatherization (Department of Community and Economic Development)

Our audit also included testwork on the Association's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Special Districts
Cash Management	Budgetary Compliance
Purchasing Requirements	Property Tax
Truth in Taxation	Other General Issues
& Property Tax Limitations	

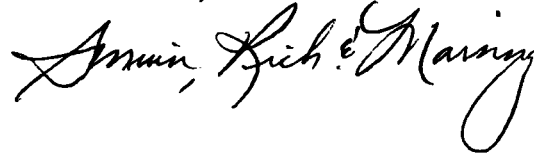
The management of Southeastern Utah Association of Local Governments is responsible for the Association's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Southeastern Utah Association of Local Governments, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions that are applicable to each of its major State Assistance Programs for the Year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Armin, Rich & Marsing". The signature is written in dark ink and is positioned below the firm's name.

Price, Utah

February 17, 2006

# SMUIN, RICH & MARSING

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## MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Southeastern Utah Association of Local Governments  
Price, Utah 84501

RE: Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance With Govern-  
ment Auditing Standards

We have audited the financial statements of the governmental activities and the business-type activities of Southeastern Utah Association of Local Governments as of and for the year ended June 30, 2005, which collectively comprise Southeastern Utah Association of Local Governments' basic financial statements and have issued our report thereon dated February 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questions costs as items 05-01 and 05-02.

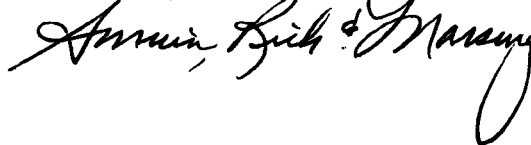
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 05-01 and 05-02.

This report is intended solely for the information and use of the audit committee, management of the Association and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Ammin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

February 17, 2006

**SMUIN, RICH & MARSING**

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

**MEMBERS**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Southeastern Utah Association of Local Governments  
Price, Utah 84501

RE: Report on Compliance With Requirements  
Applicable to Each Major Program and on  
Internal Control Over Compliance in  
Accordance With OMB Circular A-133

**Compliance**

We have audited the compliance of Southeastern Utah Association of Local Governments with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Association's compliance with those requirements.

As describe in items 05-01 and 05-02 in the accompanying schedule of findings and questioned costs, the Association did not comply with requirements regarding, eligibility and subrecipient monitoring that are applicable to its Community Services Block Grant. Compliance with such requirements is necessary, in our opinion, for the Association to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.



## Internal Control Over Compliance

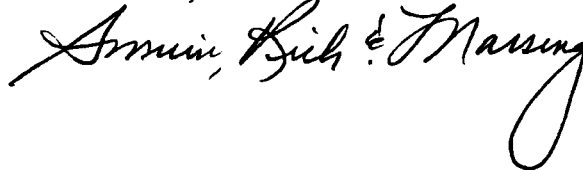
The management of Southeastern Utah Association of Local Governments is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Association's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-01 and 05-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, the Association's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING



Price, Utah

February 17, 2006

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Southeastern Utah Association of Local Governments.
2. There were two reportable conditions and no material weaknesses disclosed in internal control by the audit over the financial statements.
3. Two instances of noncompliance material to the financial statements of Southeastern Utah Association of Local Governments were disclosed by the audit.
4. There were two reportable conditions and no material weaknesses in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for Southeastern Utah Association of Local Governments expresses a qualified opinion.
6. The audit of Southeastern Utah Association of Local Government's major program disclosed two audit finding relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
Community Services Block Grant	93.569
Public Safety Partnership and Community Policing Grants (COPS)	81.042

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Southeastern Utah Association of Local Governments was determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

See Finds and Questioned Cost-Major Federal Award Program Findings 05-01 and 05-02.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS**  
**AUDIT**

Community Services Block Grant (CSBG)

CFDA No. 93.569

Grant Contract No. 04-1411

Grant Period – Year ended June 30, 2005

U.S. Department of Health and Human Services pass through

Utah Department of Community and Economic Development

**Finding 05-01**

**Statement of Condition:**

The Southeastern Utah of Association of Local Governments (Association) administers the CSBG program as the designated community action agency within Carbon, Emery, Grand and San Juan County service areas. In the counties of Carbon, Emery and Grand, the Association administers and oversees the programs and other activities that meet the CSBG criteria.

In contrast, San Juan County receives their CSBG funding as a subrecipient of the Association. San Juan County uses the CSBG funding to facilitate the Aging and Nutrition program in order to provide congregate and home-delivered meals to the elderly and disabled Native Americans in White Mesa and Bluff, Utah.

According to OMB Circular A-133, the Association as a pass-through entity is responsible to make sure subrecipients of the Association are aware of and comply with all federal standards and regulations associated with moneys passed through to subrecipients. Specifically the Association is required to 1) advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity and 2) that the Association monitor the activities of it's subrecipients to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Through our testing of compliance and internal controls which consisted of interviews, observations, and substantive tests, it appears that the Association has not provided the level of monitoring of their subrecipient, San Juan County, for the CSBG program as required by OMB Circular A-133. Our conclusion that the Association neglected to monitor the activities of their subrecipient, as required by OMB Circular A-133 is supported by: 1) our discussion with the subrecipient program manager who indicated that they had not received any monitoring visits for the last several years, 2) the subrecipient appeared not to have performed the eligibility testing of their clients and 3) the inability of the subrecipient to provide cost accounting records adequate to assure costs incurred are separately accounted for from costs of other business activities.

According to the San Juan County CSBG program manager, they commingled the Aging and Nutrition and the CSBG funds to pay for expenditures because 1) CSBG funds had been used to provide services to senior citizens in the Bluff area as agreed in the contract between the Association and San Juan County and 2) the population they serve in both programs is almost identical and the types of expenditures are similar. Therefore, they did not keep separate cost accounting records.

C. **FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS**  
**AUDIT (Continued)**

**Criteria:**

OMB Circular A-133, Subpart D – Federal Agencies and Pass Through Entities paragraph .400 (d) outlines the responsibilities of pass through entities with respect to subrecipients. Specific to the finding reported about OMB Circular A-133, Subpart D paragraph .400 (d)(2) and (d)(3) state: (d)(2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity and (d)(3) Monitor the activities of subrecipients as necessary to ensure that Federal Awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Cause of Condition:**

During the period of time that the Association was audited, the Association no longer employed the Program Director of the CSBG Program and we were unable to determine from her what monitoring had been performed. We did talk with executive staff at the Association and were informed that all program directors have been instructed on their responsibility to make themselves aware of all federal regulations and make sure all employees and subrecipients are properly trained and educated on all federal and state laws, regulations, and the provisions of contracts or grant agreements of those programs they administer. It appears that the cause of the above stated finding was due to failure of the program director to properly comply with the pass through entity responsibilities as outlined in OMB Circular A-133.

**Effect of Condition:**

The effect of the condition is the lack of proper training and education to the subrecipient on how the CSBG program is to function and the compliance requirements associated with this program. With out adequate training the subrecipient may not comply with program requirements and reportable conditions or questions costs may result.

**Recommendation**

We recommend that program mangers be trained on their responsibilities to administer program funds. We also recommend that program managers be trained on federal and state laws, regulations and provisions of contracts or grant agreements associated with the specific contracts or grants they are responsible to administer. We recommend that annually the Executive staff hold staff meetings with program managers to update and review federal and state laws and regulations.

C. **FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS**  
**AUDIT (Continued)**

Community Services Block Grant (CSBG)

CFDA No. 93.569

Grant Contract No. 04-1411

Grant Period – Year ended June 30, 2005

U.S. Department of Health and Human Services pass through  
Utah Department of Community and Economic Development

**Finding 05-02**

**Statement of Condition:**

For participants to be eligible to receive assistance through the CSBG program they must meet the eligibility requirements based on the Office of Management and Budget official poverty guidelines as described in section 673 of the CSBG Act. In addition Southeastern Utah Association of Local Governments requires a file be maintained on participants to document their eligibility which consist of the following items: A) Social security number or tax identification card for every member of the household, B) Proof of income for every member of the household over the age of eighteen, and C) Printout from Department of Workforce Services showing they applied for food stamp benefits. When we met with the program manager of the CSBG program from the San Juan County area, we were told that they had no documentation of verification of low-income status for individuals receiving services funded by the CSBG program in San Juan County. They also said that they had not tested participants for eligibility.

**Criteria:**

Income eligibility for program participation is based on the Office of Management and Budget official poverty guidelines as described in section 673 of the CSBG Act. A participating household must be at 125% of the federal poverty level or below. The grantee is required to verify the income eligibility of participants in the CSBG program and retain this documentation for five years.

**Effect of Condition:**

Since participants in the San Juan County CSBG program had not been tested for eligibility, necessary program requirements had not been followed and funds spent by the subrecipient, San Juan County, may result in questioned costs of \$28,398.

It should be noted that even though participants had not been tested for eligibility, the participants in the San Juan County CSBG program were the same population being serviced by the Area Agency on Aging, which were senior Native Americans living on or around the Navajo Indian Reservation. It appears that many if not all of these participants have little if any income.

C. **FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS**  
**AUDIT (Continued)**

**Cause of Condition:**

The Southeastern Utah Association of Local Governments has developed and implemented written policies and procedures for the CSBG program. These policies and procedures appear to provide adequate guidance for the program manager to operate the CSBG program in compliance with federal and state laws and regulations. Therefore, the cause of the above stated finding appears to be, in part, due to the failure of the Association's program director over the CSBG program to properly monitor its subrecipient of CSBG program funds and make sure subrecipient personnel were trained and in compliance with laws, regulations, and the provision of the CSBG grant. Also the cause of the above stated finding, in some part, is due to the subrecipient's failure to seek the necessary training on CSBG program laws, regulations and grant provisions associated with the CSBG program and operate the program in compliance with these regulations.

**Recommendation**

Although it appears the Association has adopted and implement adequate policies and procedures to operate the CSBG program in compliance with laws, regulations and contract and grant provisions, we recommend the Association's executive staff periodically review these policies and procedures with program managers. We further recommend that executive staff monitor program managers performance to assure policies and procedures are followed and programs are operated in compliance with laws, regulations and the provisions of contract or grant agreements.

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2005
<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>						
<b>U.S. DEPARTMENT OF COMMERCE</b>						
Direct Program:						
		\$	\$	\$	\$	\$
Economic Development Administration	05-83-04020	51,000		36,284	36,284	
Economic Development Administration	05-83-04131	51,000		25,500	3,061	22,439
EDA Smart Site	05-88-03994	75,000		2,500		2,500
Procurement	04-1633	90,000		46,038	46,038	
		\$	\$	\$	\$	\$
Total Department of Commerce		267,000	...	110,322	85,383	24,939
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Pass through State Department of Human Services:						
Title VII, Long-Term Care Ombudsman Services for Older Individuals	04-2189	2,642		2,642	2,642	
Title III, Part VI: Disease Preventive and Health Promotion Services	04-2189	4,062		4,062	4,062	
Title III, Part II: Grants for Supportive Services and Senior Centers	04-2189	62,123		62,123	62,123	
Title III Part III: Nutrition Services	04-2189	102,327		102,327	102,327	
Title III E NFCSP (Caregiver)	04-2189	26,276		26,276	26,276	
Social Service Block Grant - Discretionary	04-2251	19,485		19,281	19,281	
Health Insurance Counseling	04-2189	6,000		6,000	6,000	
Medicaid Waiver	05-0277	171,022		63,305	61,628	1,677
		\$	\$	\$	\$	\$
Total Department of Health and Human Services		393,937	...	286,016	284,339	1,677
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Direct Program:						
		\$	\$	\$	\$	\$
Cops Grant	080320	1,088,425		702,486	702,486 *	
		\$	\$	\$	\$	\$
Total Department of Justice		1,088,425	...	702,486	702,486	...

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SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2005
59.037	SMALL BUSINESS ADMINISTRATION Pass through State Department of Community and Economic Development: SBDC	04-18	\$ 46,000		\$ 29,603	\$ 40,294	\$ (10,691)
	Total Small Business Administration		\$ 46,000	\$ ...	\$ 29,603	\$ 40,294	\$ (10,691)
97.024 83.523 97.024 83.523 97.024 83.523 83.552	FEDERAL EMERGENCY MANAGEMENT AGENCY Direct Program: FEMA - Carbon County FEMA - Carbon County FEMA - Emery County FEMA - Emery County FEMA - Grand County FEMA - Grand County Predisaster Grant	23-8482-00 22-8482-00 23-8490-00 22-8490-00 23-8494-00 22-8494-00 04-0970	\$ 12,498 13,101 7,868 7,605 7,529 7,106 10,000	\$ 6,551 3,803 3,553	\$ 6,249 6,550 3,934 3,802 3,765 3,553 7,500	\$ 13,101 7,605 7,106 7,500	\$ 6,249 3,934 3,765
	Total Federal Emergency Management Agency		\$ 65,707	\$ 13,907	\$ 35,353	\$ 35,312	\$ 13,948
10.568 10.568 10.550	U.S. DEPARTMENT OF AGRICULTURE Pass through State Department of Community and Economic Development: Child Nutrition Program Child Nutrition Program Elderly Feeding Program, Cash-In-Lieu	T04FD02-0 T04FD02-0 04-2189	\$ 13,906 9,692 91,820		\$ 5,793 9,249 91,820	\$ 5,793 9,249 91,820	
	Total Department of Agriculture		\$ 115,418	\$ ...	\$ 106,862	\$ 106,862	\$ ...
81.042	U.S. DEPARTMENT OF ENERGY Pass through State Department of Community and Economic Development: Weatherization Exon	05-0789	\$ 227,706		\$ 215,025	\$ 215,025	\$ ...
	Total Department of Energy		\$ 227,706	\$ ...	\$ 215,025	\$ 215,025	\$ ...
	TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 14,107		\$ 2,240,239	\$ 2,220,395	\$ 33,951

\* MAJOR PROGRAM

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2005**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of program activity of the Association's federal award programs and does not necessarily present transactions that would be included in financial statements of the Association presented on the modified accrual basis of accounting, as contemplated by generally accepted accounting principles.

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

Southeastern Utah Association of Local Governments had no prior audit findings that were required to be reported in the previous audited financial statements.

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS**  
**SCHEDULE OF TOTAL EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**EXPENDITURES**

Salaries	\$ 789,815
Fringe benefits	250,913
Contract personnel	98,219
Energy conservation	401
Travel/local	100,247
Gas/vehicle maintenance	47,802
Food/meals	213,639
Meetings/conferences	9,903
Dues/publications	1,945
Insurance/bonding	11,108
Advertising	2,419
Rent	6,653
Utilities/telephone	89,021
Postage/handling	6,412
Office supplies/printing (Includes equip. < \$5,000 - COPS Grant)	350,194
Miscellaneous	123,186
Licenses/fees	3,842
Emergency assistance	158,038
Maintenance/repairs/supplies	44,271
Equipment/assets	57,031
Equipment/non-inventory	246,479
Materials/tools	250,980
Special projects	4,043
Pass through	441,908
Interest expense	180
Depreciation expense	1,069
Grant distributions	5,553
Indirect expense	162,853
	<hr/>
Total expenditures	\$ 3,478,124
	<hr/>

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS**  
**SCHEDULE OF INDIRECT EXPENSE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Salaries	\$ 78,571
Fringe benefits	27,892
Professional fees	15,147
Travel	8,587
Utilities/telephone	6,435
Dues/publications	295
Postage/handling	2,196
Insurance/bonding	17,379
Office supplies/printing	5,562
Maintenance/repairs/supplies	658
Meetings and conference	114
Miscellaneous	19
	<hr/>
Total expenditures	\$ 162,855

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS**  
**TOTAL EXPENDITURES AND INDIRECT COST RATE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**RECONCILIATION OF EXPENDITURES**

Indirect expenditures	\$ 162,853
Direct expenditures	3,315,271
	<hr/>
Total expenditures	\$ 3,478,124
	<hr/>
Exhibit 5 - expenditures	\$ 3,382,072
Exhibit 9 - expenditures	96,052
	<hr/>
Total expenditures	\$ 3,478,124
	<hr/>

**INDIRECT COST RATE**

Indirect costs	\$ 162,853
Divided by direct salary costs	789,815
	<hr/>
Percentage	20.62%
	<hr/>

# **SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS**

**JERRY McNEELEY**  
CHAIRMAN

**William D. Howell**  
EXECUTIVE DIRECTOR



375 SOUTH CARBON AVE.  
P.O. DRAWER 1106  
PRICE, UTAH 84501  
(435) 637-5444  
FAX (435) 637-5448

April 21, 2006

To Whom It May Concern:

Re: Findings and questioned costs- major federal award programs audit  
SEUALG annual agency-wide audit - FY2005  
Community Services Block Grant Program (CSBG)

The findings in the FY2005 agency-wide audit with respect to the CSBG program may be summarized as follows:

1. Failure to monitor the activities of and to provide instruction to the sub-recipient San Juan County.
2. Co-mingling of funds at the sub-recipient level ( CSBG funds co-mingled in the county General Fund.
3. Failure to monitor sub-recipient for compliance with applicable federal guidelines.
4. Failure of sub-recipient to perform eligibility determinations on program participants.

Recommendations for addressing the above findings and the response of SEUALG are as follows:

1. Finding 05-01, recommendation: Train program managers on their responsibilities to administer program funds. Hold staff meetings with program managers to update and review federal and state laws and regulations.

Response: SEUALG executive staff recognizes that staff familiarity with applicable program regulations and guidelines is essential and contractually required. SEUALG will redouble its efforts to train program management staff in these requirements. Executive staff will also look toward program specialists from funding agencies to provide additional training to SEUALG staff on program-specific federal regulations and guidelines. In addition, SEUALG has initiated a process whereby program managers must certify that they are aware of their obligation to be knowledgeable of all contractual terms and conditions, including applicable rules and regulations, associated with the day-to-day operations of the programs for which they are responsible.

Staff meetings for program managers may be held with program managers for general purposes such as review of and training on agency policies including personnel and financial management policies. However, group-wide training of this nature is

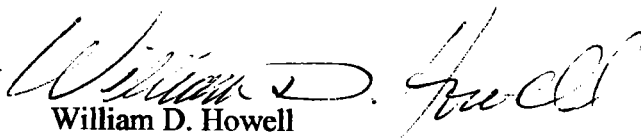
impractical insofar as program-specific federal regulations and guidelines are concerned. Each program manager is responsible for a different program or set of programs and each program has its own distinct regulations and guidelines. Training in this regard must, therefore, be program specific.

2. Finding 05-02, recommendation: Periodically review CSBG policies and procedures in order to operate the program in compliance with laws, regulations and contract and grant provisions. Executive staff monitor program managers performance to assure that policies and procedures are followed and programs are operated in compliance with laws, regulations and the provisions of contract or grant agreements.

Response: SEUALG agrees fully that agency policies and procedures should be crafted and applied in such a manner as to assure that all programs under its administration are operated in compliance with all applicable regulations and guidelines including both federal and state regulations and guidelines, as the case may be. Agency policies and procedures will be reviewed on a periodic basis, within the context of the requirements of each specific program under SEUALG administration, to assure that all contractual requirements are met.

Periodic monitoring of program staff with respect to compliance with all applicable laws, regulations, and guidelines will be conducted by Executive staff and also by program specialists representing funding agencies.

Further comments: SEUALG has restructured its CSBG program and a new program manager has been in place since March, 2005. It is anticipated that this program will come into compliance in all respects within the present program year, FY2006. In addition, the entire San Juan County program will be revamped in order to resolve the issues of eligibility determination and co-mingling of funds. The efficacy of subcontracting will be subjected to critical examination. Deliberations of the tri-partite board are continuing at this time for the purpose of designing a restructured program in the county. In the future, all clients of the CSBG program will be determined eligible in accord with policies previously adopted by SEUALG. Reliance will no longer be placed upon the assumption that native American residents of the Navajo reservation are eligible for CSBG services as a "limited clientele" or "target population" without further documentation of income.

  
William D. Howell  
Executive Director